



*United States Attorney  
Southern District of New York*

FOR IMMEDIATE RELEASE  
MAY 2, 2005

CONTACT: U.S. ATTORNEY'S OFFICE  
HERBERT HADAD, MEGAN GAFFNEY  
PUBLIC INFORMATION OFFICE  
(212) 637-2600

**U.S. ACCUSES CHAIRMAN OF TWO HEDGE FUNDS**  
**WITH SECURITIES FRAUD, RELATED CHARGES**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced the unsealing of a criminal Indictment in Manhattan federal court today, charging VINCENT MONTAGNA, the chairman of two hedge funds, Tiburon Asset Management and Tiburon Partners, with securities fraud, investment adviser fraud and wire fraud in connection with his participation in a scheme to defraud investors in the hedge funds.

According to the Indictment, MONTAGNA managed the investment decisions for Tiburon Asset Management, a New York-based hedge fund, and Tiburon Partners, an offshore hedge fund. Both of these companies purported to be hedge funds. Quantus Holding Company and Tiburon Management, companies that also were controlled by MONTAGNA, purported to manage the investments of Tiburon Asset Management and Tiburon Partners, respectively. The Indictment charges MONTAGNA with misusing the funds that persons invested in Tiburon Asset Management and Tiburon Partners ("the Tiburon Funds.")

Specifically, according to the Indictment, between

January 2000 and February 2004, MONTAGNA schemed to defraud investors and prospective investors in the Tiburon Funds in at least three different ways. First, MONTAGNA overstated the value of the assets in, as well as the performance of, the investment portfolios of the Tiburon Funds. These overstatements allowed MONTAGNA to attract new investors to the Tiburon Funds as well as to retain existing investors. The overstatements also allowed MONTAGNA (through companies that he controlled) to accrue and withdraw more management and advisory fees from the hedge funds than those to which he was entitled.

Second, according to the Indictment, MONTAGNA converted assets held by each of the Tiburon Companies to his own use. MONTAGNA transferred Tiburon assets to Quantus Holding Company, where they were used to pay for Montagna's personal expenses, including credit card bills, travel expenses, the cost of a mink jacket, and car payments. MONTAGNA also caused Tiburon investors to pay, on at least two occasions, his personal income taxes. MONTAGNA also transferred ownership of property held by Tiburon Asset Management to a company nominally controlled by his wife. In addition, MONTAGNA improperly redirected to himself or to his wife monies that were paid to him, as manager of the Tiburon Funds for the benefit of those companies.

Third, according to the Indictment, MONTAGNA caused business entities in which the Tiburon Funds invested money to provide him with side benefits, which he did not disclose to investors and prospective investors in the Tiburon Funds. For

instance, MONTAGNA allegedly convinced several companies in which the Tiburon Funds had invested money to issue stock or stock options to him or his wife for little or no additional consideration. He also convinced other recipients of Tiburon funds to pay for his personal expenses, including car payments and credit card bills. MONTAGNA also convinced at least one recipient of Tiburon funds to enter into a "consulting arrangement" that paid tens of thousands of dollars to Quantus, which money he then misappropriated, it was charged.

MONTAGNA is charged with 2 counts of securities fraud, 2 counts of investment adviser fraud and 5 counts of wire fraud.

If convicted of the charges in the Indictment MONTAGNA faces a maximum of 10 years in prison on each of the securities fraud counts, 5 years in prison on each of the investment adviser fraud counts and 10 years in prison on each of the wire fraud counts. In addition, MONTAGNA faces a fine on each count of \$250,000 or twice the gross gain or loss caused by his crimes.

In a related matter, the SEC today announced the filing of a civil complaint in the Manhattan federal court, charging MONTAGNA with securities fraud and investment adviser fraud.

MONTAGNA, 32, resides in Doylestown, Pennsylvania.

Mr. KELLEY, a member of the President's Corporate Fraud Task Force, praised the efforts of the United States Postal Inspection Service, and thanked the Securities and Exchange Commission for its assistance in the investigation of this case. He said the investigation is continuing.

Assistant United States Attorney MARCIA ISAACSON is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

05-93

###